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An analysis of current international events



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Can Economic Sanctions Check Communist China?

General Douglas MacArthur on May 5 charged during the Senate hearings that Communist China was receiving substantial economic aid by way of Hong Kong. This verbal explosion precipitated a series of chain reactions in Congress, the British House of Commons and the UN General Assembly, with the intent to deny important commodities to the Peiping regime. There can be no question about the desirability, on general principles, of withholding arms and essential war materials from Communist China. The implementation of economic sanctions, however, raises many perplexing problems.

Strategic Embargo

Last July, following the outbreak of the Korean war, the United States prohibited the export of all strategic materials to the Far East, and Britain announced a similar ban on oil. In December Washington laid down a full embargo on all shipments to Communist China. The termination of trade in munitions was clear-cut, and the oil ban hit the Peiping regime in a vulnerable spot. It is true there have been reports of petroleum shipments from Russian-controlled Sakhalin and some oil exporters, such as Indonesia, maintain their freedom to trade with China. But the fact that the Chinese have felt the petroleum pinch is indicated by the accelerated installation of charcoal-burning equipment on trucks—a poor substitute for gasoline.

Other goods, such as rubber and iron and steel products, however, continued to enter China. In the first half of 1950 the Chinese imported only 5,000 tons of rubber, which is less than the normal rate, but after the Korean war, imports jumped to 70,000 tons. Virtually all of this rubber

came from Malaya, about half directly and the rest through Hong Kong. In the first three months of this year Malaya provided over 46,000 tons of rubber to Communist China, contrasting with normal annual purchases of less than 30,000 tons. The British authorities in Malaya on April 9 imposed a quota system, permitting the Chinese to buy 2,500 tons a month, the amount needed for normal peacetime use. Under the impact of strong American criticism—reinforced by blasts from Winston Churchill, Opposition leader—London announced on May 10 the elimination of further rubber exports to Communist China in 1951.

Opponents of this step had pointed out that other rubber producers, notably Indonesia, would step up their exports to fill the gap, provided they could obtain shipping facilities. The Chinese, for their part, are spurring plans for domestic production on Hainan Island, which furnished less than 300 tons in 1950 but, according to Peiping, should provide 90,000 tons by 1955. They are also developing synthetic rubber plants in Shanghai and Manchuria. The Chinese Communists, moreover, may obtain rubber from the Soviet Union, which has been stepping up its own purchases in Malaya. To prevent excessive buying by Moscow, the Malayan allotment system established on April 9 laid down a ceiling of 7,000 tons a month for the U.S.S.R.

Concern about Chinese imports of iron and steel products and other strategic materials has focused on trade through Hong Kong. The colony sold \$127 million worth of goods to China in 1949 but expanded its sales to \$255 million in 1950 and \$120 million in the first quarter of 1951—an annual rate of \$482 million. Hong Kong

authorities, however, have stressed that price rises and the devaluation of the pound accounted for this apparent increase, whereas tonnage reports show that Hong Kong trade has, in fact, declined in recent months. Thus, exports weighed only 68,661 tons in April 1951 as contrasted with 185,756 tons for December 1950. The British July 1950 embargo affected 300 strategic materials but failed to include scrap iron, steel sheets, wire bars and other important industrial materials. On March 16 the Hong Kong authorities added rubber tires and hoop steel, aluminum and copper to materials previously banned for export.

Hong Kong's Problem

In justifying their position Hong Kong spokesmen have pointed out that the port provided a means of supplying anti-Communist guerrillas on the mainland; that cutting off trade would merely divert traffic to Chinese ports and to Portuguese Macao; but, most important, that it would jeopardize both economically and militarily the future of the colony, which depends for its existence on imports of food, water and firewood from the mainland. The right-wing London *Daily Mail* on May 8 asked with some asperity if the United States would help to feed and defend Hong Kong should that prove necessary as a result of carrying out the economic sanctions demanded by Washington.

Meanwhile, the United States has a continuing interest in buying certain strategic materials from China—such as tungsten, antimony, hog bristles, tung oil and duck feathers for Arctic clothing. American purchases from China climbed from \$106 million in 1949 to \$148 million in 1950.

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Subsequently, however, buying fell from \$16.2 million in December 1950 to \$12.6 million in January and \$5.7 million in February, 1951.

Declining Sino-American trade is being replaced by expanding Sino-Soviet commerce. The United States once played the largest role in China's foreign trade, but in 1950, according to the Chinese Communists, it accounted for 24.9 per cent of the country's total foreign business. The Soviet Union meanwhile had risen from less than 1 per cent of China's trade in 1936 to 7.8 per cent in 1949 and 24.4 per cent in 1950. Peiping has signed trade agreements with Poland, Czechoslovakia, Hungary, East Germany, and North Korea, as well as the Soviet Union. To what extent the Soviet bloc can supply commodities embargoed by the Western countries is not yet clear.

The policy of restricting trade with

China may have the following results. First, Chinese commerce will gravitate increasingly toward the Soviet bloc at the expense of non-Communist countries. As a result Moscow-Peiping ties—both economic and political—may be strengthened. Second, Hong Kong's status will become increasingly precarious, imposing an added strain on Britain, which may have to make a new call on American resources. Third, Western commercial firms will lose business, and remaining foreign enterprises in China may soon be seized, as was the British-owned Asiatic Petroleum Company on April 29. Fourth, the West may be deprived of important strategic materials best obtained in China.

Fifth, while Peiping might be forced to terminate hostilities in Korea, it may decide instead to extend the war in retaliation, especially if the Soviet Union can

make up those losses which the Chinese economy cannot absorb independently. Sixth, the embargo policy imposes additional tension on inter-Allied relations, especially should the United States seek to bring Indonesia, and perhaps India and Ceylon, into line with its aims, following any decision by the General Assembly to recommend an arms embargo—in line with the Additional Measures Committee's resolution of May 14. Ill feeling will be even more intensified should the May 10 House rider to the Supplemental Appropriations bill—withholding aid from nations that trade with Communist countries—be enacted into law. Finally, the Administration's decisions regarding trade with China may significantly affect the future shape of American policy in the Far East.

FRED W. RIGGS

What Trends Will Emerge in Post-MacArthur Japan?

The Japanese people were probably more astonished by the news of General Douglas MacArthur's dismissal than by any announcement since the Imperial surrender proclamation in 1945. MacArthur was the law in Japan—a law which for over five years had seemed to brook no real interference from international agencies, the American government or any legislation, including the new Japanese constitution. To challenge this seemingly unchallengeable power, even when not relating it to the Occupation itself, was certain to evoke amazement in Japan.

Sentiment for MacArthur

Any attempt to discern Japanese reaction other than surprise immediately involves the complex task of seeking to assess the total impact of MacArthur on Japan. Unquestionably, the General has strong support among the Japanese, although reservations and opposition are by no means lacking. At the basis of "pro-MacArthur" sentiment three fundamental factors appear to have been at work: symbolism, power and personality. In connection with the first, MacArthur was naturally destined by his role to become the symbol of the Occupation and, in certain senses, of the American "writ large." In terms of policy, the Occupation and MacArthur have been major political issues, with the dominant conservatives coming to regard the General as the great bulwark of their cause. Blended into the policy issues, however, is the supremely important fact that the American GI and civilian in Japan have been generally liked by Japanese of nearly all

political complexions. This strong and genuine pro-American sentiment has naturally redounded to the benefit of their commanding officer.

Secondly, MacArthur represented to many Japanese a desirable combination of great power and "pro-Japanese" sentiment, enabling him to represent the Japanese cause forcefully in international circles and especially to the American government. In certain respects, such as in MacArthur's opposition to a weak Japan, his view was received with profound gratitude by all Japanese. In many matters, such as the question of post-treaty foreign policy, it is again the conservatives who have counted MacArthur their great blessing. Indeed, his popularity in their circles may be attributable to this factor more than any other. Presumably their concern over a possible shift in American policy toward Japan has been allayed by the recent statements of President Truman and John Foster Dulles, Republican adviser to the Department of State.

Finally, there is the complicated matter of the MacArthur personality. In the initial phase of the Occupation, MacArthur captured the hearts of many Japanese through traits with which they were familiar in terms of some of their own past heroes, magnified by the fact that they came from an unexpected source and with certain novel variations. They did not look for a humble "democratic" personality and they did not find one. The pomp and circumstance that surrounded the General, together with his sense of drama and staging, had a powerful appeal to an insecure

and worried people who were looking for dynamic leadership. MacArthur's public pronouncements to the Japanese nation combined a note of magnanimity and hope with lofty moral maxims which fitted well into the rich Japanese Confucian heritage. And an air of aloofness and a scrupulous avoidance of contact with the Japanese people preserved around MacArthur an aura of mystery and greatness, buttressed by the more human attributes of the average GI. The discrepancies between the MacArthur personality and the democratic prototype did not necessarily serve the General poorly with the Japanese common man.

Japanese Criticism

There have, of course, been other factors favorable to MacArthur operating in Japan. Political trends in Japan, greatly influenced by Occupation policy, are at present dominated by Socialist weakness and conservative strength. The Japanese economic picture, while not bright, is tolerable. Nor can the fact be ignored that Japanese information media have operated for more than five years under a SCAP censorship policy which strictly prohibits criticism of the Occupation and especially of MacArthur.

It will become clearer as time passes, however, that the General is not without his Japanese critics, and even much of his support, especially among sophisticated groups, is more qualified than might appear on the surface. There are two broad sources from which these reactions come. The first and most obvious is political.

Setting aside the Communists, who are a negligible element, the important Social Democratic party, most labor unions and many other movements which might be considered to the left of center have come to regard MacArthur as a major political opponent impossible to fight effectively. Moreover, an increasing desire for complete independence among all Japanese has affected attitudes toward MacArthur.

More subtle are the criticisms or reservations which exist among people of higher education or sophistication. The Japanese educated elements, whatever their political

affiliations, know for instance that MacArthur is no profound student of Japanese history or culture and that his linguistic handicap, his enforced isolation and his very role have kept him from knowing many important facts about contemporary Japan. Moreover, especially in academic circles, there is developing an interest in current political developments in the United States as seen from the constitutional point of view. It would be strange indeed if many educated Japanese overlooked the fact that only 20 years ago a great struggle for policy control raged

between the Japanese civilian government and the Kwantung Army officers—a struggle which was resolved in favor of the military with the disastrous effects we all know.

One final point should be noted. Even though MacArthur has left Japan, the varying Japanese opinions of him held today will all undoubtedly be subject to changes depending on the nature of future domestic and foreign developments.

ROBERT A. SCALAPINO

(Mr. Scalapino is Assistant Professor of Political Science at the University of California, Berkeley.)

Foreign-Trade Gap Imposes Austerity on Israel

Qualified observers estimate that Israel this year needs a minimum of \$325 million to finance its external debt and retain the same volume of imports as in 1950. But Israel is expected to earn only about \$100 million, counting both visible exports and invisible exports like tourism and shipping. Worse still, rising world prices, the dwindling of sterling reserves, the compulsion to carry out larger development programs and continued large-scale immigration are likely to push the \$325 million minimum requirements in foreign-exchange up to \$425 million or beyond. This discrepancy—between Israel's hard-currency earnings and the demands of a pioneer economy which must import to survive and grow strong—is at the root of the present acute economic distress in the new state.

Austerity Program

Confronted by the stark foreign-exchange shortage, Israel has been straining to reduce the drain on its reserves. Since mid-1949 an "austerity" diet has steadily tightened the country's belt. Imports are licensed and controlled; distribution of supplies is rigidly allocated; severe rationing of essential consumer items has made existence bleak for the average citizen. Simultaneously, to block inflation in the midst of shortages, wage ceilings and more stringent tax collections have been imposed as a bar against hungry purchasing power, while prices of rationed goods have been placed under state control.

Over a period of 14 months beginning in April 1949, this strict regimen succeeded in forcing the cost-of-living index (100 in 1939) down from 371 to 317 by July 1950. Since then, however, the index has curved gradually upward again and stands currently at 351. The index, however, does not reflect actual living costs. Rations are pitifully inadequate (little over a pound

of meat per person monthly, for example), and many vital commodities must be sought in the black market, where prices have soared dizzily. It costs \$30 to buy a pair of unrationed low-quality shoes. The Israeli pound, nominally at \$2.80, has dipped and sunk below \$1. The real cost of living has already forced a momentary but ominous melting in the wage freeze: last February a strike of metal workers obtained an average pay increase of 14.8 per cent in that industry. Gravest of all, production in some sectors has been stricken by shortages in equipment or raw materials, the economy has failed to expand as fast as the expanding population, and the hard-currency crisis is sharper than ever.

There is nothing unusual or bizarre in Israel's need for foreign capital. All colonized territories—including the early United States—have required large infusions of financial aid from abroad in order to develop their resources and potential productivity. The special element in Israel's case is the urgency, in view of the nearly doubled population since independence, to compress into a few years what other undeveloped countries have been given time to accomplish at leisure over generations or even centuries.

By local taxation and capital expansion from domestic sources, plus help from world Jewry outside the United States, Israel will try to amass the equivalent of a half-billion dollars in the ensuing three years for the enlargement and stabilization of its economy. But for the bulk of its foreign-exchange needs—another \$1 billion—it sees no other recourse except the United States. Therefore a four-point aid-Israel drive here—inspired at a meeting between Israeli government and American Jewish leaders in Jerusalem and ratified at a National Planning Conference last October in Washington—is now under way.

Hitherto, American government financial assistance to Israel has been limited to loans, totaling \$135 million, from the Export-Import Bank. Pending in the Senate and House are bills calling for an outright grant of \$150 million, designed to strengthen the economy of a potential ally in a strategic part of the world. The Senate measure was jointly introduced by Paul A. Douglas, Democrat of Illinois, and Robert A. Taft, Republican of Ohio, who described Israel as "a bulwark of world democracy." Their bipartisan statement noted that Israel "probably has the strongest army in the Near East, aside from Turkey," and urged that "the economic assistance to strengthen free nations which since World War II has been such a significant part of our foreign policy should now be extended to Israel." Majority Leader John W. McCormack of Massachusetts, a sponsor of the House measure, emphasized that "in the light of the present struggle between the East and the West it is in the interest of the security of the United States to strengthen Israel, situated as it is at the crossroads of three continents."

Bond Drive

Meanwhile, by approval of the Securities and Exchange Commission, an American Financial and Development Corporation for Israel is offering a \$500 million issue of (1) 15-year dollar coupon bonds in denominations from \$500 to \$100,000, with 3½ per cent annual interest payable semi-annually and (2) 12-year dollar savings bonds ranging from \$50 to \$10,000, with a maturity value of 150 per cent. On May 10, at a rally in New York's Madison Square Garden to mark the third anniversary of Israel's independence and to launch the bond drive, pledges totaling \$35 million for the purchase of bonds were announced. At latest report, moreover, this year's

philanthropic campaign of the United Jewish Appeal is running 10 to 15 per cent ahead of the 1950 nation-wide drive, which raised \$88 million, well over \$75 million of that total having gone to overseas causes. And in Israel economic authorities are making renewed efforts to stimulate foreign investment by such inducements as tax reductions, rapid amortization of plant and higher rates of capital repatriation. By the end of 1950 a governmental Investment Center in Tel Aviv had been official-

ly credited with encouraging and assisting the creation of 334 approved new enterprises likely to mitigate Israel's hard-currency shortage by producing goods for export or in place of imports. These enterprises represented a total capital of \$116 million, of which some \$20 million was American.

HAL LEHRMAN

(This is the second of two articles. Mr. Lehrman, foreign correspondent, lecturer and Guggenheim Fellow for 1951-52, is preparing his latest book, *Israel: The Beginning and Tomorrow*, for publication by William Sloane Associates this fall.)

News in the Making

ELECTIONEERING IN FRANCE: With the date for the French national elections fixed as June 17, General Charles de Gaulle, whose Reunion of the French People is making its first bid for seats in the National Assembly, has moved into the front ranks as a major contender for power. If he wins 160 or more deputies, as he hopes, the center parties of the present coalition government would have to choose between an alliance with the Communists and making terms with de Gaulle.

SOVIET WHEAT STIRS INDIA: While Congress continues to delay action on a proposed loan or gift of grain to India, the announcement by Prime Minister Jawaharlal Nehru on May 10 that "Russian ships with wheat have started for India" has impressed Indian opinion. The record shows that in contrast to Russia's proposed sale of 50,000 tons of wheat, the United States has sold and delivered 411,000 tons of grain to India in the first four months of 1951.

UN'S POINT FOUR: A team of five United Nations economists issued a report on May 13 proposing the creation of a UN agency to pave the way for a \$19 billion annual investment program for underdeveloped countries. The study urged that the new authority provide about \$3 billion a year as grants in such fields as education, health and local administration as the first steps toward encouraging large-scale capital investments by both private and public sources. It recommended that the International Bank triple its loan to underdeveloped areas within five years.

RAW MATERIALS ALLOCATIONS: The first step toward allocation of scarce raw materials among non-Communist countries was taken during the week of May 7, when a ten-nation committee recommended allocation of sulphur. It is estimated that the shortage of sulphur, which has already been seriously felt in Britain, will be more than 1 million tons in 1951 on a world-wide basis. The committee which acted on sulphur is one of seven international bodies set up by 24 Western nations to increase output of scarce materials or allocate them if necessary.

FPA Bookshelf

BOOKS ON THE MIDDLE EAST

The United States and the Near East, by E. A. Speiser. Cambridge, Mass., Harvard University Press, 1950. \$3.75.

In this revised edition of his useful summary of the geographic, cultural, political and strategic factors in the Near East, first issued in 1947, Professor Speiser has brought his volume up to date by textual emendations and a new chapter covering the emergence of Israel as an independent state.

The Struggle for Palestine, by J. C. Hurewitz. New York, Norton, 1950. \$6.

A comprehensive and authoritative account, based on personal experience and original documents, of the Palestine mandate, the development of the Jewish community, the evolution of Arab politics, world rivalries and United Nations action, leading to the final partition, war and the birth of a new state.

The Republic of Israel: Its History and Its Promise, by Joseph Dunner. New York, McGraw-Hill, 1950. \$4.75.

The author, chairman of the Political Science Department at Grinnell College—who believes that "the Arabs have had no good case in Palestine"—has given us an intimate, detailed and sympathetic account of the Zionist movement, the birth pangs of the state of Israel, its political, social, economic and educational problems and its position in an unstable world.

New Star in the Near East, by Kenneth W. Bilby. Garden City, N. Y., Doubleday, 1950. \$3.50.

An informal, balanced and frequently exciting portrait of the new Jewish state against a background of Arab resentment and international intrigue, by a correspondent for the New York *Herald Tribune*.

Fifty Years of Modern Syria and Lebanon, by George Haddad. Beirut, Syria, printed at Dar-al-Hayat, 1950. \$3.

Beginning with a historical survey of his region, but concentrating on the developments of recent years and especially the struggle for national independence, a Professor of History at the Syrian University has also produced a useful, copiously illustrated compendium of information on economic, cultural, social and political aspects of his native land at the present time.

BOOKS ON RUSSIA

The People of Great Russia: A Psychological Study, by Geoffrey Gorer and John Rickman. New York, Chanticleer Press, 1950. \$3.

This book consists of two sections—an attempt to diagnose the psychology of Great Russians, by the British anthropologist Geoffrey Gorer, and ten sketches of Russian peasant life covering the period 1916-1918, by a British country doctor who worked with the Quaker relief mission in Russia. Of the two, the doctor's less ambitious contribution "proves more illuminating than that of the anthropologist. Included in the appendices are notes on the now famous "swaddling hypotheses" about the development of the Russian character.

Soviet Politics—The Dilemma of Power: The Role of Ideas in Social Change, by Barrington Moore, Jr. Cambridge, Harvard University Press, 1950. \$6.

This volume, the second in a series of studies prepared by members of the staff of the Russian Research Center at Harvard, offers an exceptionally penetrating and objective analysis of Soviet political ideas and practices. Mr. Moore reaches the conclusion that the Soviet leaders, far from being the monolithic bloc of rigid-minded men often pictured by American commentators, have continuously adapted Marxist-Leninist theories to the practical necessities of developments at home and abroad. According to him, "Marxist doctrine has not made the Soviet Union join any coalition or abandon any alliance that it would not have joined, or abandoned, on grounds of simple national self-interest."

Branch and Affiliate Meetings

PROVIDENCE, May 20, *World Affairs and the American Citizen*, Hon. John O. Pastore

NEW YORK, May 21, *U.S. Foreign Policy and Psychological Warfare*, Saul K. Padover

PROVIDENCE, May 21, *Report From China*, Amos and Lynn Landman

PHILADELPHIA, May 23, *Why Korea?* Film and Panel Discussion

HARRISBURG, May 24, *Turkey in the World Picture Today*, Nuri Eren

PROVIDENCE, May 24, *What Must Our Policy Be in the Far East?* Robert E. Olmsted, Sinclair Armstrong

SPRINGFIELD, May 28, *The Next Phase in U.S. Foreign Policy*, Vera M. Dean

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